

§ 223.52

as they appear necessary, to discourage speculative bidding.

[50 FR 41500, Oct. 11, 1985]

§ 223.52 Market-related term additions.

(a) *Contract provision.* Each timber sale contract that contains periodic payment requirements shall contain a provision allowing the addition of time to the contract term if the Forest Service determines that adverse wood products market conditions have resulted in a drastic reduction in wood product prices. Such extension must be requested by the purchaser in writing.

(b) *Determination of drastic wood product price reductions.* (1) The Forest Service shall maintain and use producer price indexes for wood products as prepared by the Department of Labor and Bureau of Labor Statistics adjusted to a constant dollar base, to determine whether a drastic reduction in wood product prices has occurred. Where there is more than one producer price index for a Region, the Regional Forester shall determine the index to be used for each National Forest based on the characteristics of the volume being harvested on the Forest.

(2) The agency shall determine that a drastic reduction in wood product prices has occurred when, for two or more consecutive quarters, the applicable adjusted price index is less than 80 percent of the average of such adjusted index for the 4 highest of the 8 calendar quarters immediately prior to the initial qualifying quarter. A qualifying quarter is a quarter where the applicable adjusted index is more than 20 percent below the average of such index for the 4 highest of the previous 8 calendar quarters. Qualifying quarter determinations will be made using the Producer Price Indexes for the months of March, June, September, and December.

(3) A determination that a drastic reduction in wood product prices, as defined in paragraphs (b) (1) and (2) of this section, has occurred shall constitute a finding that the substantial overriding public interest justifies the contract term addition.

(c) *Granting contract term additions.* Purchasers shall receive appropriate notice whenever the Regional Forester determines that a drastic reduction in

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wood product prices has occurred. When the Forest Service determines a drastic reduction in wood product prices has occurred after contract award and before contract termination, the Forest Service, upon a purchaser's written request, will add 1 year to the contract's term, except as provided in paragraphs (c)(1) through (3) of this section. This 1-year addition includes time outside of the normal operating season.

(1) For each additional consecutive quarter, in which a contract qualifies for a term addition, the Forest Service will, upon the purchaser's written request, add an additional 3 months during the normal operating season to the contract.

(2) No more than twice the original contract length or 3 years, whichever is less, shall be added to a contract's term by market-related contract term addition.

(3) In no event shall a revised contract term exceed 10 years as a result of market-related contract term additions.

(d) *Recalculation of periodic payments.* Where a contract is lengthened as a result of market conditions, any subsequent periodic payment dates shall be recalculated using the new termination dates, and the payment dates shall be delayed accordingly; however, no periodic payment may be delayed beyond a contract's revised termination date.

[55 FR 50645, Dec. 7, 1990]

APPRAISAL AND PRICING

§ 223.60 Determining fair market value.

The objective of Forest Service timber appraisals is to determine fair market value. Fair market value is estimated by such methods as are authorized by the Chief, Forest Service, through issuance of agency directives (36 CFR 200.4). Valid methods to determine fair market value include, but are not limited to, transaction evidence appraisals, analytical appraisals, comparison appraisals, and independent estimates based on average investments. Pertinent factors affecting market value also considered include, but are